

ORIGINAL

OPEN MEETING



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MEMORANDUM

RECEIVED

2009 NOV -9 P 4:17

TO: THE COMMISSION

FROM: Utilities Division

AZ CORP COMMISSION
DOCKET CONTROL

DATE: November 9, 2009

RE: NAVOPACHE ELECTRIC COOPERATIVE, INC. - APPLICATION FOR
APPROVAL OF RENEWABLE ENERGY STANDARD PLAN AND TARIFFS
(DOCKET NO. E-01787A-09-0469)

Background

On September 30, 2009, Navopache Electric Cooperative, Inc. ("NEC" or "Navopache") filed its application for approval of its 2010 Implementation Plan pursuant to the Renewable Energy Standard and Tariff ("REST") Rules.

NEC is a full-requirements wholesale customer of Public Service Company of New Mexico. In 2008, NEC had 434 gigawatt-hours in retail sales to its membership.

NEC's Renewable Infrastructure

Navopache indicates that it intends to achieve compliance with the REST requirement of 2.5 percent of retail electric sales for 2010 using existing infrastructure and renewable energy credits which are shown below on Table 1 and discussed herein.

Photovoltaic Renewable Resources

Since 2003, NEC has installed four photovoltaic systems totaling 270 MW and interconnected to the distribution system. Two of the systems total 200 MW, connected at the primary distribution level, and the two other systems total 70 MW connected at the secondary distribution level.

NEC Member Installations

Fourteen NEC Members have installed PV, wind, and solar water heating systems and have received incentive payments according to NEC's renewable Energy Incentive Plan ("REIP"). NEC's REIP specifies payments of \$3.00 per watt up to 50 percent of system cost with a cap of \$25,000.

Arizona Corporation Commission

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NOV - 9 2009

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Purchase Agreements

NEC has entered into agreements to purchase Renewable Energy Credits (RECs) from Abengoa Solar, Inc. (formerly Industrial Solar Technology Corporation); PDM Solar, Inc.; SOLID, USA; and Solar Utilities Network. These agreements are included in NEC's filing.

Potential Geothermal

NEC, in partnership with Mohave Electric Cooperative, retained Black and Veatch to conduct a feasibility study with respect to geothermal resources in their service territories. This study indicates that there is a potential for five megawatts of geothermal generation in NEC's service territory. Navopache has initiated a grant application to the Department of Energy to fund exploratory drilling. Navopache would partner with Mohave Electric Cooperative in the commercial development.

Table 1
Renewable Energy Resources -- 2010
Navopache Electric Co-op

Resource	Type	kW Capacity	kWh Energy
Blue Ridge H.S.	PV / DG	50	144,376
Mountain Meadow	PV / DG	20	43,800
NEC Members	PV, Wind / DG	129	282,510
NEC Members	Solar Water Heating		5,217
NEC St. John	PV	94	220,711
NEC Springerville	PV	114	249,715
Solar Utilities Network	PV	2,000	4,380,000
SOLID USA	Solar Thermal	700	1,533,000
Abengoa Solar	Solar Thermal	700	1,533,000
PDM Solar	Solar Cooling	500	1,500,000
Total Renewables		4,307	9,892,329

2010 Budget

NEC's proposes the following budget for 2010 and beyond.

Table 2
Navopache Electric Cooperative, Inc.
5-Year Renewable Energy Resource Budget

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Resources	Expenditures				
Residential Incentives	\$150,000	\$175,000	\$200,000	\$225,000	\$225,000
Purchase Power Agreements	\$840,960	\$910,960	\$818,980	\$818,980	\$818,980
RUS Loan Repayment	\$90,247	\$90,247	\$90,247	\$90,247	\$90,247
Geothermal Project	\$10,000	\$10,000	\$75,000	\$32,000	\$32,000
Total Expenditures	\$1,091,207	\$1,186,207	\$1,184,227	\$1,166,227	\$1,166,227

Funding and Surcharge

Staff has reviewed NEC's proposed Renewable Energy Standard Tariff which sets forth the surcharge rates and monthly maximums to be collected to fund its 2010 annual budget. The proposed tariff charges are unchanged from those previously approved by Commission Decision No. 70699, and are shown here on Table 3, with expected annual revenue on Table 4.

Table 3
Navopache Electric Cooperative
Proposed RES Tariff Charges

Customer Class/Category	<u>Proposed Rates</u>	
	Energy Charge (per kWh)	Monthly Cap
Residential	\$0.004988	\$1.05
Commercial & Industrial	\$0.004988	\$39.00
Commercial & Industrial $\geq 3\text{MW}^1$	\$0.004988	\$117.00
Governmental & Agricultural	\$0.000875	\$13.00
Govn'tal & Agricultural $\geq 3\text{MW}^1$	\$0.000875	\$39.00

Table 4
REST Funding from Surcharge

<u>Customer Class/Category</u>	<u>Annual Revenue</u>	
	<u>Present</u>	<u>Anticipated</u>
Residential	429,771	352,530
Commercial	399,693	515,988
Irrigation	4,979	5,758
Non-Residential > 3MW ¹	1,404	1,404
Total	835,847	875,680

1. 3 MW demand or more for three consecutive months.

Table 5 below shows the impacts of the REST tariff on different types of Navopache customers.

Table 5
Navopache Electric Cooperative
Customer Impact of Proposed RES Tariff Charges

<u>Customer Category</u>	<u>kWh /Month</u>	<u>Rate</u>	<u>Charges*</u>
Residence	1,000	\$0.0049880	\$1.05
Hairstylist	1,283	\$0.0049880	\$6.40
Department Store	170,000	\$0.0049880	\$39.00
Retail Video Store	14,107	\$0.0049880	\$39.00
Large Hotel	46,467	\$0.0049880	\$39.00
Large Building Supply	183,217	\$0.0049880	\$39.00
Hotel/Motel	14,080	\$0.0049880	\$39.00
Large Office Bldg	1,476,100	\$0.0049880	\$39.00
Supermarket	214,340	\$0.0049880	\$39.00
Convenience Store	30,687	\$0.0049880	\$39.00
Hospital	207,810	\$0.0049880	\$39.00
School	88,800	\$0.0008750	\$13.00
Irrigation	17,585	\$0.0049880	\$39.00
Government Complex	66,050	\$0.0008750	\$39.00

* At cap when Cost > Cap

Fair Value Determination

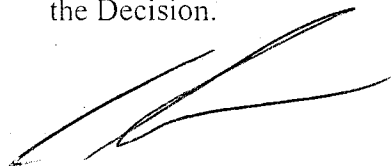
Staff has analyzed the fair value implications in Navopache's application. The proposed tariff would have minimal or no impact on the company's revenue, fair value rate base, or rate of return. Because plant developed pursuant to the REST programs is not added to the rate base, there would be no corresponding effect on Navopache's ultimate revenue or rate of return.

Staff Recommendations

Staff recommends that Navopache's proposed 2010 REST implementation plan be approved as discussed herein.

Staff recommends that Navopache's Renewable Energy Standard Tariff be set at the proposed levels shown in Table 3 herein.

Staff recommends that NEC file in Docket Control a revised Tariff including the updated REST rates in compliance with the Decision in this case within 15 days of the effective date of the Decision.



Steven M. Olea
Director
Utilities Division

SMO:JJP:lhv\WVC

ORIGINATOR: Jeffrey Pasquinelli

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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
SANDRA D. KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BOB STUMP
Commissioner

IN THE MATTER OF NAVOPACHE)
ELECTRIC COOPERATIVE, INC.'S)
APPLICATION FOR APPROVAL OF)
RENEWABLE ENERGY STANDARD)
PLAN AND TARIFFS)
_____)

DOCKET NO. E-01787A-09-0469
DECISION NO. _____
ORDER

Open Meeting
November 19 and 20, 2009
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Navopache Electric Cooperative ("NEC" or "Navopache") is certificated to provide electric service as a public service corporation in the State of Arizona.

2. On September 30, 2009, NEC filed an application for approval of its 2010 Implementation Plan pursuant to the Renewable Energy Standard and Tariff ("REST") Rules. NEC is a full-requirements wholesale customer of Public Service Company of New Mexico. In 2008, NEC had 434 gigawatt-hours in retail sales to its membership.

NEC's Renewable Infrastructure

3. Navopache indicates that it intends to achieve compliance with the REST requirement of 2.5 percent of retail electric sales for 2010 using existing infrastructure and renewable energy credits which are shown below on Table 1 and discussed herein.

...

...

1 **Photovoltaic Renewable Resources**

2 4. Since 2003, NEC has installed four photovoltaic systems totaling 270 MW and
3 interconnected to the distribution system. Two of the systems total 200 MW, connected at the
4 primary distribution level, and the other two systems total 70 MW connected at the secondary
5 distribution level.

6 **NEC Member Installations**

7 5. Fourteen NEC Members have installed PV, wind, and solar water heating systems
8 and have received incentive payments according to NEC's renewable Energy Incentive Plan
9 ("REIP"). NEC's REIP specifies payments of \$3.00 per watt up to 50 percent of system cost, up
10 to a maximum of \$25,000.

11 **Purchase Agreements**

12 6. NEC has entered into agreements to purchase Renewable Energy Credits ("RECs")
13 from Abengoa Solar, Inc. (formerly Industrial Solar Technology Corporation); PDM Solar, Inc.;
14 SOLID, USA; and Solar Utilities Network. These agreements are included in NEC's filing.

15 **Potential Geothermal**

16 7. NEC, in partnership with Mohave Electric Cooperative, retained Black and Veatch
17 to conduct a feasibility study with respect to geothermal resources in their service territories. This
18 study indicates that there is a potential for five megawatts of geothermal generation in NEC's
19 service territory. Navopache has initiated a grant application to the Department of Energy to fund
20 exploratory drilling. Navopache would partner with Mohave Electric Cooperative in the
21 commercial development.

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Funding and Surcharge

9. Staff has reviewed NEC's proposed Renewable Energy Standard Tariff which sets forth the surcharge rates and monthly maximums to be collected to fund its 2010 annual budget.

Decision No. _____

The proposed tariff charges are unchanged from those previously approved by Commission Decision No. 70699, and are shown here on Table 3, with expected annual revenue on Table 4.

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REST Funding from Surcharge

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Total	835,847	875,680

1. 3 MW demand or more for three consecutive months.

10. Table 5 below shows the impacts of the REST tariff on different types of Navopache customers. At average usage, most customers would have charges at the monthly cap.

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Customer Impact of Proposed RES Tariff Charges

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Irrigation	17,585	\$0.0049880	\$39.00
Government Complex	66,050	\$0.0008750	\$39.00

1. Capped when Cost > Cap

Fair Value Determination

11. Staff has analyzed the fair value implications in Navopache's application. The proposed tariff would have minimal or no impact on the company's revenue, fair value rate base, or rate of return. Because plant developed pursuant to the REST programs is not added to the rate base, there would be no corresponding effect on Navopache's ultimate revenue or rate of return.

Staff Recommendations

12. Staff has recommended that Navopache's proposed 2010 REST implementation plan be approved as discussed herein.

13. Staff has recommended that Navopache's Renewable Energy Standard Tariff be set at the proposed levels shown in Table 3 herein.

Decision No. _____

1 ...
2 14. Staff has recommended that NEC file in Docket Control a revised Tariff including
3 the updated REST rates in compliance with the Decision in this case within 15 days of the
4 effective date of the Decision.

5 **Conclusions of Law**

6 15. NEC is an Arizona public service corporation within the meaning of Article XV,
7 Section 2 of the Arizona Constitution.

8 16. The Commission has jurisdiction over NEC and over the subject matter of the
9 application.

10 17. The Commission, having reviewed the application and Staff's Memorandum dated
11 November 9, 2009, concludes that it is in the public interest to approve the Navopache 2010 REST
12 Implementation Plan.

13 **ORDER**

14 IT IS THEREFORE ORDERED that Navopache Electric Cooperative, Inc.'s 2010 REST
15 Implementation Plan be and hereby are approved as discussed herein.

16 IT IS FURTHER ORDERED that Navopache Electric Cooperative, Inc.'s Renewable
17 Energy Standard Tariff be set at the proposed levels shown in Table 3 herein.

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2 IT IS FURTHER ORDERED that Navopache Electric Cooperative, Inc. file in Docket
3 Control a revised Tariff including the updated REST rates in compliance with the Decision in this
4 case within 15 days of the effective date of the Decision.

5 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

6
7 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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10 CHAIRMAN

COMMISSIONER

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13 COMMISSIONER

COMMISSIONER

COMMISSIONER

14 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
15 Executive Director of the Arizona Corporation Commission,
16 have hereunto, set my hand and caused the official seal of this
17 Commission to be affixed at the Capitol, in the City of
18 Phoenix, this _____ day of _____, 2009.

19 _____
20 ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

21 DISSENT: _____

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23 DISSENT: _____

24 SMO:JJP:lhv\WVC
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1 SERVICE LIST FOR: Navopache Electric Cooperative, Inc.
2 DOCKET NO. E-01787A-09-0469

3
4 Mr. John Wallace
5 Grand Canyon State Electric
6 Cooperative Association, Inc.
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8 Phoenix, Arizona 85034

9 Mr. Dennis W. Hughes
10 Chief Operating Officer
11 Navopache Electric Cooperative
12 1878 West White Mountain Boulevard
13 Lakeside, Arizona 85929

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15 Director, Utilities Division
16 Arizona Corporation Commission
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